The Honorable Jon Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Human Services, Division of Developmental Disabilities, Woodbridge Developmental Center for the period of July 1, 2003 to June 30, 2005. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
March 15, 2006
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Scope

We have completed an audit of the Department of Human Services, Woodbridge Developmental Center for the period July 1, 2003 to June 30, 2005. Our audit included financial activities accounted for in the state’s General Fund. We did not audit the non-appropriated funds administered at the center. We did review selected transactions of those funds to help us gain an understanding of internal controls in place at the center. We also reviewed revenues recorded at the Division of Developmental Disabilities which were billed, received and recorded on behalf of the center.

Annual expenditures of the center are $72 million, of which $60 million is payroll. Annual revenues for the center are $2.8 million. This does not include costs incurred and revenues received by the department on behalf of or directly related to programs at the center. The prime responsibility of Woodbridge Developmental Center is to provide care and treatment for mentally retarded individuals five years of age and over within the State of New Jersey.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the center’s programs, were reasonable, and were recorded properly in the accounting system. We also tested for resolution of the significant conditions noted in our prior report dated November 29, 2000.

This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.
In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the center. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.

A statistical and nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were sorted and transactions were randomly and judgmentally selected for testing.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the center and walked through the system to determine if the corrective action was effective.

We found that the financial transactions included in our testing were related to the center's programs, were reasonable, and were recorded properly in the accounting system. We also found that the agency has resolved the significant issues noted in our prior report, except for matters related to controlling and recording of payroll and leave time. This issue is updated in our report. In addition, we noted areas we believe could be changed and improved which would increase revenue, or decrease costs.

Conclusions
Alleviating Excess Overtime

As a part of our audit, we analyzed overtime paid for nursing coverage at the center which totaled $1.5 million during calendar year 2004. We found that 49 of 110 nurses earned overtime in excess of 25 percent of their annual salary. To determine the cause of this overtime, we reviewed the methods employed to schedule nursing coverage at the facility. We found the center does not schedule standard nursing coverage for three shifts, seven days per week. Many unfilled nurse positions exist on Fridays through Mondays. We examined the nurse coverage scheduled for May 2004 and May 2005 and found that 71 and 65 percent of the overtime paid in those respective months was earned because weekend shifts were not fully staffed. We analyzed the staffing levels required throughout the year and found that hiring six additional nurses at a cost of approximately $379,000 would allow the center to provide the required seven-day, three-shift coverage and could reduce the overtime paid by approximately $1 million.

Recommendation

We recommend the center seek additional nursing staff and amend its procedures for scheduling to include 24 hour coverage throughout the week.

Revenues

Woodbridge Developmental Center (WDC) is a facility charged to care for and train developmentally disadvantaged persons. The center has been certified as an Intermediate Care Facility / Mental Retardation (ICF/MR) for many years and as such receives funding based on an approved per diem rate under the federal Medicaid program. The fiscal year 2005 daily rate for WDC is $502. Current billing practices are based upon a daily population movement report which tracks clients in the facility. The
center receives monthly ICF/MR program reimbursements based upon the number of days a client resides in the facility. WDC does not bill for clients temporarily residing in the center’s “acute care unit”. We were not able to obtain a reasonable explanation as to why the center deems clients ineligible for program benefits while in that unit. We noted that 3,800 acute care patient days were not billed from March 2004 thru February 2005. If the same number of acute care days occurs in 2005, $1.9 million could be billed to Medicaid.

While the center does not bill the ICF/MR program it records doctor visits and procedures performed for individual clients. This information should be coded by the doctors with all pertinent client information, entered by WDC in a computer system, and recorded within the Division of Developmental Disabilities. Claim forms are then submitted electronically for reimbursement under the Medicare Part B program. This program pays on average $35 per claim. We noted during August 2004 that doctors provided 900 cases of medical attention resulting in 700 reimbursable services under the Medicare program. When reviewing payments on these cases, we were unable to identify whether 480 eligible services were claimed, which potentially results in a loss of Medicare reimbursement amounting to $16,800. Among the reasons we identified for this condition were doctors not filling out the proper forms timely, doctors miscoding the procedures, incomplete forms, and items thought eligible being disallowed.

Recommendation

We recommend the center bill the ICF/MR program for days that clients are in the acute care unit. Should the program disallow such billings, the center should determine what changes are needed to qualify those individuals for program benefits for those specific “acute care” days. If changes can be made which would be cost effective, the center should proceed to make
those appropriate changes and bill accordingly. We further recommend the center should address the problems concerning the preparation and filing of Medicare Part B claims, including requiring doctors to prepare the necessary reports timely.

Employee Time and Leave Records

The payroll department processes time records for 1,485 employees. Included in the process is the manual recording of leave time earned and used by the employees and the computation of balances available. An adequate system of internal controls requires maintenance of protected, safe, and reliable internal records to prevent errors and irregularities from occurring and remaining undetected. When reviewing a random sample of leave records for 574 days, we found 98 exceptions including small overpayments due to manual miscalculation of time worked, incorrect postings of leave time to the yearly timekeeping records, failure to deduct the leave time from the balances, and mathematical errors in the calculation of year end balances. Incorrect leave records could result in employees receiving more or less paid leave time than they are entitled to, particularly when an employee terminates his/her state service.

The payroll department does not generate periodic reports on employee leave time balances, nor does it keep duplicates of annual leave time records. In the case of a disaster such as fire, recreating lost records and balances would be a cumbersome and, from the time standpoint, almost impossible process. During our last audit five years ago, we noted that the payroll department had three computers in its section, but no software to accomplish their record keeping task. Currently, every timekeeper has their own computer; however, there is still no software to computerize the timekeeping process.
Implementing the computerized timekeeping system would decrease the time the payroll section devotes to this function, dramatically reduce or eliminate the existence of mathematical errors, and allow for easy recreation of lost records.

**Recommendation**

We recommend the center adopt the use of a computerized system to maintain its employees' leave time. In addition, periodic reports on leave balances should be generated and distributed to employees for verification of leave balances.
March 7, 2006

James B. Patterson
Assistant State Auditor
Office of State Auditor
P.O. Box 067
Trenton, NJ 08625-0067

Dear Mr. Patterson:

Thank you for the opportunity to respond to the Draft Audit Report of the Division of Developmental Disabilities (DDD), Woodbridge Developmental Center (WDC), for the period of July 1, 2003 to June 30, 2005. I was pleased to note that your review disclosed that the fiscal activities of the Center were reasonable and were properly recorded in the accounting system. Additionally, I was pleased to note your review disclosed the Center has resolved significant issues noted in your prior Audit Report.

Regarding the three findings and recommendations, I offer the following clarifications and assurances.

Finding:
Alleviate excess overtime

Division Response:
WDC has increased its nursing staff which has allowed the Center to schedule standard nursing coverage for three shifts, seven days per week. With the addition of the nursing staff overtime has been reduced by approximately 25% when compared to the audited period.

Finding:
Revenues

Division Response:
WDC is prohibited from billing the ICF/MR Program for clients residing in the Center’s Acute Care Unit since that unit does not provide the active treatment component required by the ICF/MR Program. The Center is in the process of determining what physical plant changes and what additional staffing would be required to raise the Acute Care Unit services to the higher standards of the ICF/MR Program. If these changes are determined to be cost effective, they will be implemented and the ICF/MR Program will be billed for these services.

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Division Response: (cont'd)
The Center has taken positive steps to enhance the procedures for filing accurate, timely Medicare Part B Claim Forms. Doctors are being monitored by the Chief Executive Officer's office and those found to be deficient are being addressed. Additionally, training is being provided and a new document developed to assist medical staff in this procedure.

Finding:
Employee time and leave records.

Division Response:
WDC is in the process of improving its controls over employee time and leave records. At this time, the Center is enhancing its accounting process to include periodic reports on leave balances. These reports will be generated and distributed to employees several times during the year for verification. The Department of Human Services is investigating the use of a standardized computer system to reduce mathematical errors and allow for the recreation of lost records.

Sincerely,

Carol Grant
Director

CG: wih

c: Greg Fenton, Deputy Director
  John Dougherty, CEO, WDC